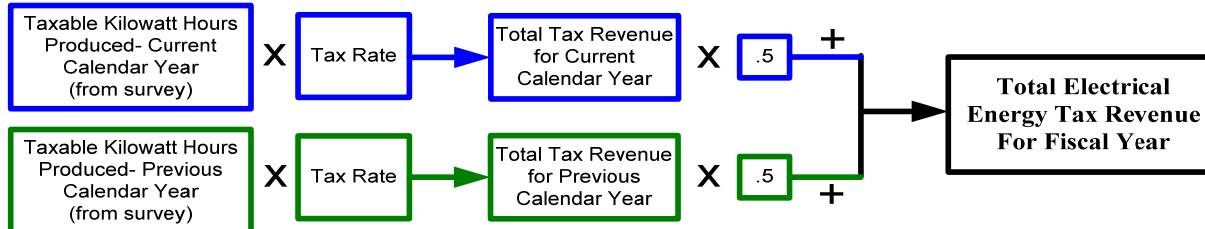


## Forecast Methodology:

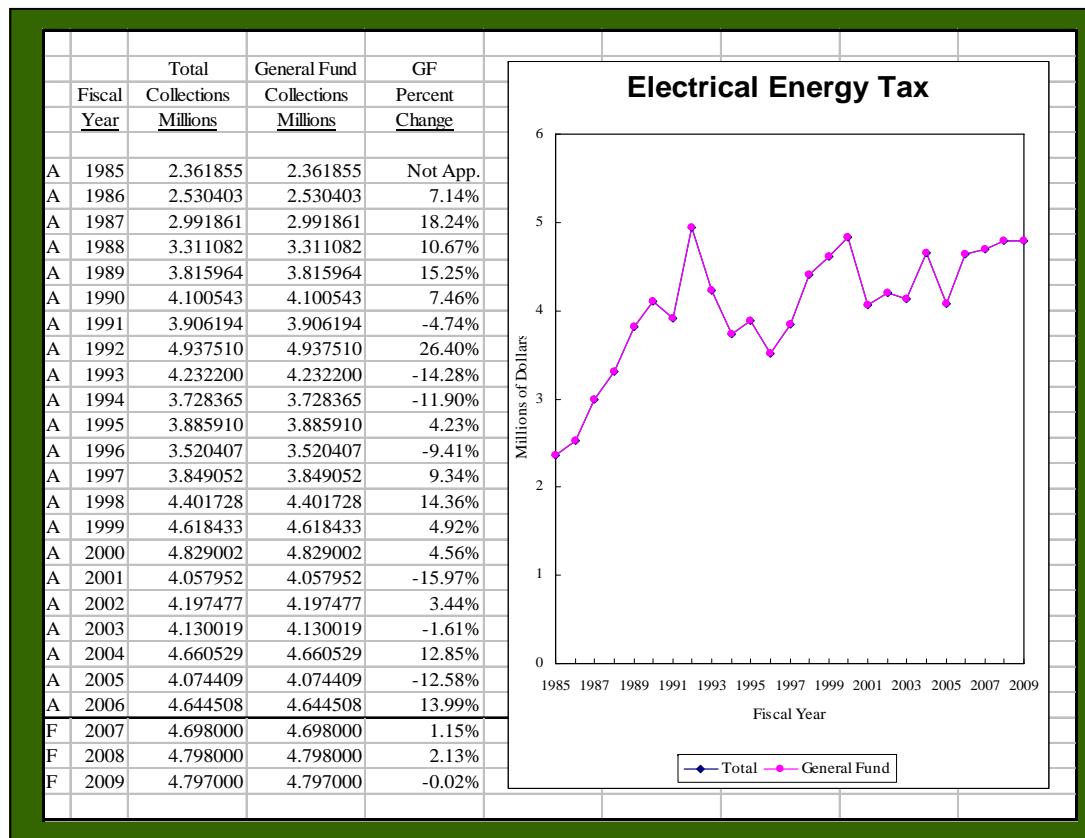


## Data

All electrical energy producing companies are surveyed for anticipated kilowatt hours produced, anticipated new production, and anticipated downtime or reduced production. Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company. Department of Environmental Quality provides a list of pending permits for electrical generation facilities in Montana along with expected dates of operation, type of generation, capacity, and the ones with the most likelihood of coming online in the 2009 biennium.

## Analysis

- The taxable kilowatt hours, as reported on the survey and adjusted for any downtime or production reductions, are summed.
- For those companies who did not respond or did not respond fully to the survey, estimates of production are derived from growth rates based on historical data.
- Since the survey results are reported on a calendar year basis, they are converted to a fiscal year basis by adding half the previous calendar year's estimate to half of the current calendar year's estimate.



## LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

# The Legislative Fiscal Division

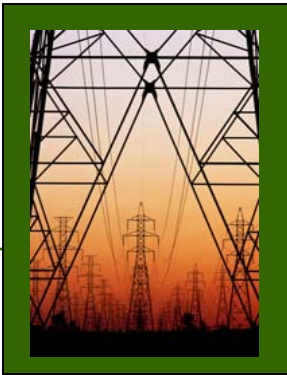
Presents

## Taxes in Brief...

### Electrical Energy Tax

November 2006

Fiscal Pocket Guide



#### Revenue Description:

The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).



Legislative Fiscal Division  
Revenue & Taxation Policy  
Room 110, State Capitol  
Helena, MT 59620-1711  
(406) 444-2986

#### Statutory Reference:

Tax Rate MCA) – 15-51-101

Tax Distribution (MCA) – 15-1-501(1), 15-51-103

Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

#### Applicable Tax Rate(s):

The tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

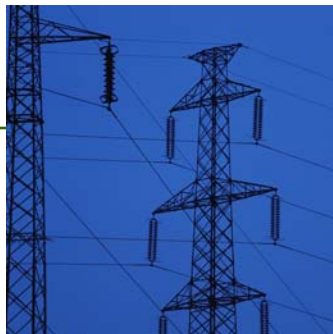
#### Distribution:

All proceeds are deposited into the general fund.

#### Distribution Methodology:

##### General Fund

100%



#### Collection Frequency:

Quarterly: The electrical energy tax is due 30 days after the end of the quarter.

#### % of Total General Fund Revenue:

FY 2004 – 0.34%

FY 2005 – 0.27%

FY 2006 – 0.27%

#### Revenue Estimate Methodology:

The electrical energy tax is applied to the number of kilowatt hours of electricity produced. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours produced by each company and any company anticipated to be producing within the 3-year period in question. From these production estimates, the tax rate is applied. Since all kilowatt hours produced is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.